THE LOCAL AUTHORITIES LOANS ACT, 1914 (IX OF 1914).

S. 4
Bombay Local Authorities Loans Rules, 1923.

G. N., F. D., No. 1393-E, dated 23rd December 1922 (B. G., Pt. I, p. 1918).

Amended by G. N., F. D., No. 1393-E, dated 25th May 1925.

Amended by G. N., F. D., No. 1393-E, dated 19th July 1927.

Amended by G. N., F. D., No. 1393-E, dated 22nd June 1928.

Amended by G. N., F. D., No. 1393-E, dated 18th October 1929.

Amended by G. N., F. D., No. 1393-E, dated 27th March 1933.

Amended by G. N., F. D., No. 1393-E, dated 13th September 1933.

Amended by G. N., F. D., No. 1393-E, dated 14th February 1934.

Amended by G. N., F. D., No. 1393-E, dated 12th June 1934.

Amended by G. N., F. D., No. 1393-E, dated 25th February 1938.

Amended by G. N., F. D., No. 1393-E, dated 7th March 1939.

Amended by G. N., F. D., No. 42/33, dated 30th September 1950.

Amended by G. N., L. S. G. & P. H. D., No. 3839, dated 11th June 1952.

1. *Short title, commencement and cancellation of former rules.*—(1) These rules may be called the Bombay Local Authorities Loans Rules, 1923.

(2) They shall come into force on the 1st January 1923.

(3) The Local Authorities Loans Rules, 1915, published with the Government of India Notification in the Finance Department, No. 1020-A*, dated the 10th November 1914, and republished with Government Notification in the Financial Department No. 4868, dated 17th November 1914, as subsequently amended, are hereby cancelled, except as regards money borrowed before these rules come into force.

2. *Interpretation.*—In these rules—

(1) "the Act" means the Local Authorities Loans Act, 1914 (IX of 1914).

(2) "Government loan" means a loan taken from funds of the State Government.

(3) "Loan" means a loan made, taken or raised, under the Act and includes a loan for the payment of the cost of the carrying out of a work under sub-section (*1*) (*i*) of section 3 of the Act.

†or a loan for the recoupment of any expenditure incurred by a local authority with the sanction of the State Government for the carrying out of any such work.

(4) "Non-Government loan" means a loan raised, with the sanction of the State Government, otherwise than from funds of the State Government; and

---

* Republished at pp. 2847-2850 of Part I of the *Bombay Government Gazette*, 26th Nov. 1914.

† This amendment shall be deemed to have been made on and to have effect from the 24th day of February 1947.

(5) "term" of a loan means the period elapsing between the date on which the loan is completely made, taken or raised, and the date on which it is completely repaid.

3. *Limitation of borrowing power.*—A local authority shall not borrow money for any of the purposes specified in clauses (*i*), (*ii*), (*iii*) or (*iv*) of sub-section (*1*) of section 3, unless the work to be carried out is either—

(*a*) within the local limits of the area subject to the control of the Local Authority, or

(*b*) for the benefit of the inhabitants within those limits.

4. *Application.*—When a local authority desires to obtain a loan, it shall submit an application to the State Government through the Collector showing—

(1) The purpose for which the loan is required, and where the loan is required for any of the purposes specified in clauses (*i*), (*ii*), (*iii*) or (*iv*) of sub-section (*1*) of section 3, an estimate of the cost of the entire work or such part of it as it is proposed to carry out from loan funds;

(2) The amount which it is proposed to borrow;

(3) The fund on the security of which it is proposed to borrow;

(4) The law under which the said fund is levied, received, or held;

(5) The dates within which the money is to be borrowed, and, when it is proposed to raise a loan in instalments, the amount of each instalments, the dates within which the first instalment is to be taken or raised, and the years in which it is intended to take or raise the other instalments;

(6) The rate of interest at which it is proposed to borrow;

(7) The term of years for which the money is to be borrowed, and the method by which it is to be repaid. If it is proposed to repay the loan by means of a Sinking Fund, the rate of interest, at which the improvement of such Sinking Fund is to be calculated, shall also be stated;

(8) An account of the financial position of the local authority, including a statement of all existing prior charges on its funds:

(*a*) The receipt side of the account should show only ordinary revenue. Receipts from loans or deposits, or the investments of Sinking Funds should be excluded as well as items of abnormal character which should be indicated separately when required.

(*b*) On the expenditure side interest on debt and payments to a Sinking Fund should be included, and all expenditure from loan funds and repayment of advances or deposits should be excluded.

(*c*) Explanations should be given of important variations in the accounts of revenue and expenditure.

(9) The extraordinary items of receipts and expenditure with full description of the nature of receipt or expenditure for the past three years in a separate statement;

(10) The balance of each loan taken either from the State Government or open market together with the amount of instalment, if any, to be set aside annually for the Sinking Fund should be distinctly shown in a separate statement.

4-A. *Transmission of a duplicate copy of the application to the Examiner, Local Fund Accounts.*—In the case of an application for loan by a local authority other than a village panchayat a duplicate copy of the application together with the statement giving the full particulars required by rule 4 should be sent direct to the Examiner, Local Fund Accounts, Bombay, at the same time that the application is submitted to the State Government through the Collector.

4-B. *Submission of report by Collector in the case of applications made by village panchayats.*—In the case of an application for loan made by a Village Panchayat, the Collector shall at the time of forwarding the application to the State Government, submit, in consultation with the District Local Board, a report on the financial position of the village panchayat.

5. *Inquiry by the State Government.*—The State Government shall cause such inquiry as it thinks fit to be made into the statements contained in the application and into the utility of the purpose for which the loan is proposed.

6. *Rejection of application.*—If it appears to the State Government that the money ought not to be borrowed it shall reject the application.

7. *Publication of application, etc.*—If it appears to the State Government that the money ought to be borrowed, it shall cause to be published in the *Bombay Government Gazette*, and in such other manner as it may deem fit within the local limits of the area subject to the control of the local authority, a copy of the application and such particulars in regard to any inquiry made under rule 5 as it may think necessary.

8. *Disposal of application after publication.*—After the expiry of one month from such publication, and after calling for any further information which it may require and considering any objections which may be preferred, the State Government may—

(1) reject the application, or

(2) if so empowered grant the loan, or sanction the raising of the loan, as the case may be.

8-A. *Urgent loans.*—Where a local authority in its application desires the immediate grant or sanction to the raising of a loan on the ground that funds are urgently needed for any of the purposes mentioned in clause (*ii*), (*iii*) or (*iv*) of sub-section (*1*) of section 3 of the Act, the State Government, if it is satisfied that the loan is urgently needed for any such purpose, may, *notwithstanding* anything containing in rules 5, 7 and 8, after such inquiry, if any, as it thinks fit to make, grant or sanction the raising of such loans at any time after the receipt of the application.

9. *Government loans.*—When a local authority submits an application for a Government loan, the State Government may grant the loan, provided that the following conditions are fulfilled, namely:—

(*a*) the term of the loan does not ordinarily exceed the maximum period of 30 years. Every loan should usually run for as short a period as possible. This rule may, however, be relaxed in very special cases;

(*b*) funds are available from the grant voted by the Legislative Assembly for the purpose; and

(*c*) the rate of interest payable on the loan to be such as the State Government shall determine.

10. *Non-Government loans.*—When a local authority submits an application for a non-Government loan, the State Government may sanction the application provided the term of the loan does not ordinarily exceed the maximum period of 30 years. Every loan should usually run for as short a period as possible. This rule may, however, be relaxed in very special cases.

11. *Prescribed conditions.*—(1) In granting or sanctioning a loan, the State Government may prescribe any further conditions not inconsistent with the Act, and with these rules, as it may think fit.

(2) In particular and without prejudice to the generality of sub-rule (1) the following conditions shall be prescribed, namely:—

(*i*) In the case of every loan, the State Government shall determine and the local authority shall pay the cost—

(*a*) of any inquiry made under rule 5,

(*b*) of advertisements published under rule 7,

(*c*) of inspections made, and other measures of control taken, under rule 12, and

(*d*) of any other proceedings taken by order of the State Government under these rules.

(*ii*) In the case of every loan, that the local authority shall furnish to the Accountant General, Bombay, and to the State Government, any information which they may require regarding its funds and regarding the expenditure of the loan.

(*iii*) In the case of a Government loan, the State Government, if it considers that the local authority has failed to comply with any of the conditions prescribed in respect of the loan or with any of the requirements of these rules, may at any time order that no further payments shall be made on account of such loan, and that any amount advanced with interest thereon shall be repaid immediately.

(*iv*) In the case of a non-Government loan, that the local authority shall not, without the previous approval of the State Government, vary the dates within the raising of the loan or of the first instalment of it, has been sanctioned; and that, if the loan is raised by instalments, the local authority shall report, for the previous approval of the State Government, the dates within which each further instalment is to be raised.

12. *Control and inspection of works and accounts.*—The following provisions are made for the control and inspection of works to be constructed by the local bodies wholly or partially, by raising money in the open market or by taking a loan from the State Government:—

I. The execution, supervision and audit of works entrusted to the Public Works Department will, as heretofore, continue to be subject to the rules of that Department as published in the Public Works Code.

II. The rules hereinafter following apply only to works to be constructed independently of the Public Works Department by local authorities authorised under the Local Authorities Loans Act, 1914, to raise money in the open market or by taking a loan from the State Government for the purpose.

III. It shall be the duty of the Executive Engineer in whose district such works are being constructed out of loans raised by local authorities in the open market or by taking a loan from the State Government under the Local Authorities Loans Act, 1914, or of any person specially authorised by the State Government in this behalf, to inspect such works and the accounts connected therewith at such intervals as the State Government or the Chief or the Superintending Engineer may direct.

IV. Such inspection shall ordinarily be conducted quarterly by the Executive Engineer and monthly by the Public Works Department Sub-Divisional Officer in whose charge the work may be and shall be chiefly directed to ascertaining that the quantity and quality of the work executed and the progress made in construction are fairly commensurate with the outlay charged in the accounts.

V. (*i*) For the purpose of sub-rule IV under rule 12 the local authority shall cause a continuous record of expenditure to be maintained and posted monthly in the Public Works Department "Register of Works"—Form A appended to these rules. The measurements for the month and for the year and up to date must be shown for each item, but corresponding expenditure on items need only be given for those works estimated to cost over Rs. 5,000. The expenditure for the work for the month, the expenditure for the year, and the total expenditure should be shown. Columns should be provided for "Materials at site" and for liabilities. With the above information the quantities and cost (calculated on the normal cost system*) may, at any time, be compared with the estimate. With the sanction of the State Government the account forms may be modified and actual expenditure by items omitted in any special cases in which this is deemed desirable.

(*ii*) If a loan is raised for the construction of roads, a return of road material should be prepared for the inspection by the Public Works Department officers.

VI. Every deviation from any project as sanctioned, which in the opinion of the inspecting officer is likely to entail, any increase in the outlay exceeding five per cent. on the estimates approved, or to impair or diminish the utility of the works under construction, shall be reported to the State Government and also to the local authority concerned, and no such deviation shall in any case be proceeded with without the sanction of the State Government and of such local authority, or otherwise than in accordance with such requirements as the State Government or such local authority with the approval of the State Government may impose as to additions, alterations and amendments in the estimates.

**Note.*—The Normal cost is the cost at estimated rates of all the work actually executed.

VII. Every inspecting officer shall furnish the Chief or Superintending Engineer with a brief report of the inspections performed by him, with such remarks on the construction and progress of the works as he may deem necessary. The Chief or Superintending Engineer shall bring to the notice of the State Government any points on which the orders of the State Government are considered to be necessary.

VIII. In regard to the loan accounts of local authorities whose accounts are subject to an official audit by the Accountant General, a test audit shall be conducted by the Local Fund Audit Department of the Accountant General's office. In all other cases the test audit shall be carried out once a year as the Accountant General may direct, and shall be confined exclusively to the accounts of expenditure from the loan.

13. *Procedure on attachment.*—When the State Government decides to attach any funds under section 5, the following procedure shall be observed, namely :—

(*a*) The State Government shall issue a notice to the local authority prohibiting the collection or management of such funds by the local authority, and vesting the administration thereof in such officer as the State Government may appoint. The State Government shall cause such notice to be published in the *Bombay Government Gazette* and in such other manner as it may deem fit within the local limits of the area subject to the control of the local authority.

(*b*) The officer appointed by the State Government under section 5 shall pay the moneys collected or received under such attachment to the lender, or, in the case of a Government loan, into the Government Treasury.

(*c*) The said officer shall prepare the accounts of moneys so collected and of the cost of collection, in such form as the State Government may, from time to time, direct. He shall deliver a copy of the accounts to the local authority, and shall cause a copy to be published in the *Bombay Government Gazette.*

14. *Unexpended balances.*—If, on the completion of the work or the closing of the account of the transaction for which a local authority has borrowed money, the State Government is satisfied that the whole of the money has not been spent on the purpose for which it was borrowed it shall proceed as follows, namely :—

(*a*) *In the case of a Government loan.*—The State Government shall direct that the unexpended balance shall be forthwith repaid to the State Government, and the principal of the debt reduced by an equivalent amount the State Government may direct such variation as it may consider necessary on this account in the instalments fixed for the liquidation of the loan.

(*b*) *In the case of a non-Government loan.*—The State Government may direct that the unexpended balance shall be utilised in the reduction in any way of the debt of the local authority, or in carrying out any works which the local authority is legally authorised to carry out.

15. *Interest on Government loans.*—The following provisions shall apply to interest on Government loans, namely :—

(1) Interest shall be charged, at the rate agreed upon, yearly or half-yearly, as the State Government may determine and shall be reckoned and paid on each instalment from the date on which such instalment is received by the local authority.

Funds spent by any public department or officer on behalf of a local authority against a loan sanctioned by Government shall reckon for interest as if they were drawn on the last day of the month in the accounts of which they are included by the spending department or officer.

(2) The State Government may, if it thinks fit, direct that a penal rate of compound interest not exceeding 10 per cent. per annum shall be paid upon all overdue instalments of interest, or of principal and interest.

16. *Repayment of Government loans.*—With the previous consent of the State Government, the local authority may, at any time, repay the whole or any part of a Government loan in advance of the period fixed by the conditions of the loan.

17. *Accounts of Government loans.*—The account of Government loan shall be kept by the Accountant General, Bombay.

18. *Sinking Fund for Government and non-Government loans.*—If a loan is not repayable by annuities or annual drawings, the local authority shall establish a sinking fund in the following manner, namely :—

(1) It shall pay out of its income, yearly or half-yearly into such fund, a sum which accumulating at such rate of compound interest as the State Government may fix, will be sufficient to secure the liquidation of the loan within the term fixed for its repayment,

(2) It shall make the first of such payments within one year from the date of taking or raising the loan, unless the State Government otherwise directs,

(3) It shall submit the accounts of its sinking fund annually to the Accountant General, Bombay, and shall at once make good from its income any amount by which he may certify that the fund is deficient, unless the State Government sanctions a gradual readjustment, and

(4) It shall invest its Sinking Fund in Government securities as defined by the Indian Securities Act, 1920, or Securities specified in clause (*c*) or (*d*) of section 20 of the Indian Trusts Act, 1882 : Provided that when a loan or an instalment of a loan is to mature within twelve months from the date on which a sum is payable into the Sinking Fund under clause (1) a local authority may deposit with the Imperial Bank of India such sum or such portion thereof as may be necessary for repayment of such loan or instalment.

19. *Loans for Railway construction repayable at option.*—Notwithstanding any thing contained in the foregoing rules, it shall be permissible, with the previous sanction of the State Government, for a District Board, which desires to construct a minor railway, partly from the proceeds of a cess levied for that purpose and partly from borrowed funds, to borrow n oney by means of debentures repayable at the option of such District Board.

A

——————————District ——————————Fund.

Register of Works.

Name of Work—

Authority as to Estimate—

Amount of Estimate—

Authority as to Allotment—

Amount of Allotment—

Work commenced on—

Names of Engineers and Subordinates by whom the work was supervised and the period of their incumbencies :—

Names.	From	To

Work completed on the..... Completion Report submitted to the Accountant General with this office No..... dated.....

Accountant.

Executive Engineer,
District.

Note.—This form will be used for all works costing over Rs.2,500 whether accounted for according to actual or normal cost. When used for the latter class of works, the blank column immediately preceding "Total value of work done" should be headed "Total normal cost."

NAME OF

Months, etc.																
	Quantity	Amount			Quantity	Amount			Quantity	Amount			Quantity	Amount		
		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.
Estimate—																
Rate ..																
Expenditure of previous year brought forward—																
Rate ..																
April 19—																
Total ..																
Rate ..																
May—																
Total ..																
June—																
Total ..																
Rate ..																
July—																
Total ..																
Rate ..																
August—																
Total ..																
Rate ..																
September—																
Total ..																
Rate ..																
October—																
Total ..																
Rate ..																

WORK

				Work Expenditure as compared with Cash Expenditure				
	Total value of work done.	Materials at site.	Advances.	Total.	Deduct arrears due.	Total outlay to date from commencement of work.	Total outlay during the current year.	Initials of the Executive Engineer and Accountant to transactions of the month.
Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	

NAME OF

Months, etc.																
	Quantity	Amount			Quantity	Amount			Quantity	Amount			Quantity	Amount		
		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.		Rs.	a.	p.
Estimate— Rate ..																
Expenditure of previous year brought forward— Rate ..																
November— Total .. Rate ..																
December— Total .. Rate ..																
January— Total .. Rate ..																
February— Total .. Rate ..																
March— Total .. Rate ..																
March (Supplementary)— Total .. Rate ..																

WORK—*contd.*

												Work Expenditure as compared with Cash Expenditure.												
			Total value of work done.			Materials at site.			Advances.			Total.			Deduct arrears due.			Total outlay to date from commencement of work.			Total outlay during the current year.			Initials of the Executive Engineer and Accountant to transactions of the month.
Amoun			Amount			Amount			Amount			Amount			Amount			Amount			Amount			
Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	

Explanation of difference or deviations from the sanctioned estimate.

Item No.	Particulars.

Executive Engineer,

.....District.

S. 6 (1) **G. N., G. D., No. 4001/33, dated 12th April 1940 (B. G., Pt. IV-A, p. 668).**

In exercise of the powers conferred by sub-section (*1*) of section 6 of the Local Authorities Loans Act, 1914 (IX of 1914), the Government of Bombay is pleased to extend the provisions of the said section 6 to the Ahmedabad Borough Municipality.